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IN THE MATTER OF THE NOTICE OF)
PROPOSED RULEMAKING FOR THE)
ENVIRONMENTAL PORTFOLIO)
STANDARD.)

DOCKET NO. RE-00000C-00-0377

**TUCSON ELECTRIC POWER COMPANY'S COMMENTS
ON THE APPLICATIONS FOR REHEARING**

Tucson Electric Power Company ("TEP"), through undersigned counsel, hereby files its comments on certain applications for rehearing of Decision No. 63364, as follows:

On February 8, 2001, the Commission docketed Decision No. 63364, which adopted A.A.C. R14-2-1601 and R14-2-1618, establishing an environmental portfolio standard. Various parties, including Arizona Public Service Company ("APS") and the Residential Utility Consumer Office ("RUCO") filed applications for rehearing of Decision No. 63364. At its March 6, 2001 Open Meeting, the Commission instructed the Staff to prepare a report on the applications that had been filed. TEP files these comments for the Commission Staff to consider in preparation of its report.

I. APS' APPLICATION.

**A. UTILITY-FINANCED CUSTOMER-PREMISE
ENVIRONMENTALLY-FRIENDLY RESOURCES.**

APS has suggested that "EPS Rule 1618.F." be changed to read:

Photovoltaic or solar thermal electric resources that are located on a customer's premises shall count toward the Environmental Portfolio Standard applicable to the current

1 Load-Serving Entity serving that consumer unless a different
2 Load Serving Entity is entitled to receive credit for such
resources under the provisions of R14-2-1618.C.3.a.

3 [APS Application at 2]

4 TEP believes that APS' proposed change speaks for itself, is equitable and fair.
5 Accordingly, TEP supports the proposed change.

6 **B. OUT-OF STATE ENVIRONMENTALLY-FRIENDLY**
7 **RESOURCES.**

8 APS has also recommended that "EPS Rule 1618.M." be revised to include
9 environmentally-friendly resources that are based outside of Arizona. TEP does not concur
10 with this APS recommendation. It is TEP's understanding that one of the purposes of the
11 Environmental Portfolio Standard is to encourage and promote the development of
12 environmentally-friendly energy resources within the state. Allowing a utility to receive
13 credit under the Environmental Portfolio Standard rules for resources located outside of
14 Arizona obviously does not promote *in-state* development of environmentally-friendly
15 energy resources. Consequently, TEP does not support this proposed change.

16 **II. RUCO'S APPLICATION.**

17 **A. COMMISSION DETERMINATION THAT UTILITIES MUST**
18 **INVEST IN A PARTICULAR TYPE OF GENERATION**
19 **TECHNOLOGY.**

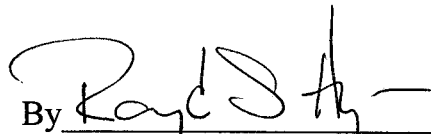
20 At page 3, lines 9-10 of the RUCO application, it is stated that "the Commission has
21 determined that the utilities must invest in a particular type of generation technology."
22 While TEP is a staunch supporter of the Environmental Portfolio Standard, it does not
23 believe that the Commission has mandated that utilities choose a specific type of
24 technology. Instead, TEP interprets the Environmental Portfolio Standard as recognizing
25 that a variety of environmentally-friendly technologies should be developed and promoted
26 within the state.
27

B. PENALTIES.

RUCO also addressed legal issues surrounding the Solar Electric Fund. [See RUCO application, p. 4, line 16, *et seq.*] While TEP does not comment on the legal argument presented by RUCO, TEP does not believe that it is appropriate to penalize utilities in connection with their efforts related to the Environmental Portfolio Standard. The Commission and the utilities are embarking on a new program with many uncertainties. It is unfair and counterproductive to impose broad penalties as utilities are investing in a variety of technologies that may be new to them and whose benefits are being tested.

RESPECTFULLY SUBMITTED this 13th day of March 2001.

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By 

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